



## THE RUGBY BOROUGH COUNCIL

You are hereby summoned to attend a SPECIAL MEETING of the Rugby Borough Council, which will be held at the TOWN HALL, RUGBY, on Tuesday 20<sup>th</sup> September 2016 at 7pm.

### A G E N D A

#### PART 1 – PUBLIC BUSINESS

1. Apologies for absence.
2. To approve the minutes of the meeting of Council held on 19<sup>th</sup> July 2016.
3. Declaration of Interests.  
  
To receive declarations of -  
  
(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;  
  
(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors; and  
  
(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.
4. To receive the Mayor's Announcements.
5. To receive the reports of Cabinet and Committees which have met since the last meeting of the Council and to pass such resolutions and to make such orders thereon as may be necessary:  
  
**(a) Cabinet – 5th September 2016**  
  
(1) Finance and Performance Monitoring 2016/17 – Quarter 1 – Corporate Resources Portfolio Holder.

(2) UK Municipal Bonds Agency – Corporate Resources Portfolio Holder.

(3) Adoption of Section 76 of the Public Health Act 1925 – Licensing Enforcement at Rugby Railway Station taxi waiting area – Environment and Public Realm Portfolio Holder.

6. To receive and consider the Reports of Officers.

(a) Approval of Accounts 2015/16 - report of the Head of Corporate Resources and Chief Financial Officer.

(b) Marketing Rugby Town Centre – report of the Executive Director.

## **PART 2 – EXEMPT INFORMATION**

There is no business involving exempt information to be transacted.

DATED THIS 12th day of September 2016

**Executive Director**

To: The Mayor and Members of Rugby Borough Council

**REPORT OF CABINET**

**5th September 2016**

**PRESENT:**

Councillors Stokes (Chairman), Leigh Hunt, Mrs Parker, Ms Robbins and Mrs Timms.

Councillors Mrs A'Barrow, Cade, Cranham, Ms Edwards, Mrs Garcia, Miss Lawrence, Mistry, Mrs O'Rourke, Roodhouse, Sandison, Mrs Simpson-Vince and Ms Watson-Merret were also in attendance.

**1. FINANCE AND PERFORMANCE MONITORING 2016/17 – QUARTER 1**

Cabinet considered a report concerning the Council's anticipated financial and performance position for the first quarter of 2016/17. The report was circulated as part of the Cabinet agenda and all Members are requested to bring their copies to the meeting.

**Recommendation of Cabinet**

Cabinet decided to recommend to Council that –

- (1) a net nil Supplementary General Fund revenue budget of £63,730 be approved to meet the cost of Benefits Agency staff in 2016/17.  
Recruitment and retention of experienced Benefits staff is becoming increasingly difficult due to the uncertainties created by the expansion of Universal Credit in Rugby. Agency Staff have been utilised to support this process and avoid lengthy delays in customer claims. The cost of Agency staff can be met from the DWP Universal Credit Delivery partnership funding;
- (2) a supplementary General Fund capital budget of £127,000 be approved for 2016/17 for purchase of a Route Optimiser package to optimise the waste collection service, reducing staff time and vehicle costs. To be funded through the WSU reserve (£72,000) and the balance coming from revenue underspends;
- (3) a supplementary General Fund capital budget of £60,050 be approved for 2016/17 for Open Spaces Refurbishment at Millennium Green of which £54,800 is externally funded, with the balance met from revenue corporate savings target; and
- (4) a supplementary General Fund capital budget of £70,000 be approved for 2016/17 for Great Central Walk trackbed replacement of which £55,000 is externally funded, with the balance met from revenue corporate savings target.

**Recommended that** – the recommendation of Cabinet be approved.

## **2. UK MUNICIPAL BONDS AGENCY**

Cabinet considered the following report.

### **Background**

In October 2014 Full Council agreed to become Shareholders in the Local Capital Finance Company Ltd, which is now known as the UK Municipal Bonds Agency (the “Agency”).

This report now seeks approval for the Council to enter into the borrowing documents prepared by the Agency to enable the Council to borrow from the Agency should it wish to do so. The Agency requires that local authorities borrowing from it enter into its Framework Agreement. The Agreement includes an accession document confirming that the Council has the necessary approvals to sign the Agreement and a joint and several guarantee to those lending money to the Agency in respect of the borrowing of all other local authorities from the Agency. Entering into the Framework Agreement enables the Council to access funding from the Agency as and when required, but signing the agreement does not make the Council subject to the joint and several guarantee or provisions of the Framework Agreement until such time it borrows from the Agency.

This report sets out the background to the Agency, key facets of the Framework Agreement and the advantages and disadvantages of entering into the Agreement, including an assessment of the risk that the Council will be called upon under the guarantee. It seeks approval for the Council to enter into the Framework Agreement.

To supplement the report, a copy of ‘Introduction to the UK Municipal Bonds Agency – A Guide for Local Authorities’ has been placed in the Members’ Room and on the Council’s website for information. The document is intended to provide a summary of both the Agency and a summary of the key facets of the Framework Agreement.

### **Executive Summary**

The purpose of the Agency is to deliver cheaper capital finance to local authorities. It will do so via periodic bond issues, as an intermediary for financing from institutions such as the European Investment Bank (EIB) and by facilitating greater inter-authority lending. The Agency is wholly owned by 56 local authorities and the Local Government Association (LGA). The Council is a shareholder in the Agency with a total investment of £20,000.

The Council has limited sources of capital finance available to it. One of the primary sources is the Public Works Loan Board (PWLB), a statutory body of the UK Government that provides loans to public bodies, and the margin charged by the PWLB rose significantly in 2010 and therefore the LGA explored, with the support of a number of local authorities, the establishment of the Agency as an alternative to the PWLB

The Agency's Framework Agreement sets out the arrangements for borrowing from the Agency and incorporates a joint and several guarantee that requires all local authorities borrowing from the Agency to guarantee the money owed by the Agency to those who have lent it money to fund its loans. The Framework Agreement incorporates a mechanism to prevent a demand under the guarantee by requiring borrowers to lend the Agency money to cover a default by another local authority, referred to as "contributions".

Signing the Framework Agreement does not make the Council subject to the joint and several guarantee or provisions of the Framework Agreement until such time that it borrows from the Agency.

The Council has the power to enter into the Framework Agreement under Section 1 of the Localism Act 2011 – the general power of competence. Borrowing under the Framework Agreement will be under Section 1 of the Local Government Act 2003 – the power to borrow.

Acting on behalf of prospective borrowers, a small group of authorities appointed lawyers, Allen & Overy, to review and advise upon the documentation. Allen & Overy instructed counsel to obtain senior opinion on vires and reasonableness. The advice and opinion resulted in a small number of changes to the Agency's documentation.

Counsel raised three key considerations that a local authority must take into account when taking a decision to enter into the Framework Agreement:

- its specific financial position;
- whether or not the council is "reasonably financially robust" i.e. can the council meet the potential demands that the Framework Agreement places upon it; and
- whether it is to the authority's advantage to enter into the Framework Agreement taking into account the advantages and disadvantages of doing so.

Taken together, these three considerations help address a key requirement of the Wednesbury principles that the Council exercises its powers in a reasonable manner.

The Council has a need to borrow of £15m over the next three years comprising £5m of borrowing to fund capital expenditure and £10m of refinancing including internal borrowing. If the Council signs the Framework agreement, then the Agency will provide a potential alternative source of borrowing, and the Council will be able to compare the rates offered by the Agency against rates from alternative sources primarily finance available from the PWLB. The Agency's intent is to make funding available at favourable rates compared to the PWLB, and borrowing from the Agency may therefore offer savings in interest payments. However, the Council would review all potential sources of borrowing to ensure value for money in any borrowing decision, and would also weigh up any potential savings which could be achieved from borrowing via the Agency against the potential risks.

The Agency's business case has suggested that over time the average savings delivered by the Agency would be 0.2 per cent against comparable PWLB rates. Using the £15m figure above as a benchmark this would potentially reduce interest costs for the Council by £750,000 over an equivalent PWLB 25 year loan period.

UK local authorities are heavily supervised and subject to tight statutory control that significantly reduces the probability that a local authority will default on its financial obligations. Furthermore, the Agency will undertake credit assessments of local authorities and limit its exposure to authorities to reduce credit risk. In the event that a local authority needs to refinance its borrowings from the Agency, the PWLB is available to all local authorities as lender of last resort provided that the borrowing from the PWLB is not unlawful. No UK local authority has ever defaulted on one of its primary debt obligations. Taken together, the risk of a default is judged to be extremely low and thus the risk associated with entering into the Framework Agreement and guarantee is deemed to be low.

If a local authority does default, the Agency has liquidity facilities available to it so that it can meet the interest payments due on a bond and cover a limited default on a principal repayment by a local authority; the provisions of the Framework Agreement will be used if these facilities are exhausted. In the unlikely event of a demand for contributions under the Framework Agreement or payment under joint and several guarantee, the Council would have an option to draw on reserves (if sufficient) or could access PWLB funds at 48 hours' notice if required.

The risks associated with the joint and several guarantee are mitigated by the contribution arrangements. Therefore, from a practical perspective, the real risk to the Council is the requirement to make contributions in the event of a default by another borrower and this exposure is proportional because it is calculated by reference to the amount borrowed by the Council as a proportion of all non-defaulting loans made by the Agency.

In the unlikely event that the guarantee is called upon, it is also unlikely that bond holders or other providers of finance to the Agency will pursue a single Council for payment because the best outcome for lenders is likely to be achieved by pursuing all the guarantors because this maximises the potential revenues available to repay them.

Section 13 of the Local Government Act secures all debts of a local authority on its revenues and therefore it is highly likely that the Agency will be able to recover amounts owed to it by a defaulting authority. In turn, this will enable the Agency to repay sums lent to it under the Framework Agreement or paid out by the Council under the guarantee.

The risk that the Council suffers a loss under the Framework Agreement and the joint and several guarantee is therefore a combination of the low risk of a default by a local authority and the low risk that if a local authority does default, local authorities cannot recover sums owed to them.

In return for accepting this risk, the Council would receive access to more diverse and cheaper sources of capital finance via the Agency. On balance, the financial advantages have the potential to outweigh the financial disadvantages, particularly if favourable borrowing rate can be achieved.

Although the Agency intends that the Framework Agreement is permanent, there may be a need to either amend the Framework Agreement or if the Council wishes, set aside provisions for a period of time without amending the contributions arrangements or joint and several guarantee.

## **The UK Municipal Bonds Agency**

### **Establishment**

The establishment of the UK Municipal Bonds Agency was led by the LGA following the announcement in the 2010 Autumn Statement that PWLB rates would increase from 0.15 percent over Gilts to 1 percent over Gilts, greatly increasing the cost of new borrowing and refinancing. This followed the introduction of punitive early repayment penalties by the PWLB in 2007, which have prevented local authorities from restructuring their loan portfolios to reduce costs while interest rates are low. Although the Government subsequently introduced the “certainty rate”, which effectively reduced the PWLB’s margin to 0.8 per cent over Gilts in return for the limited disclosure of an authority’s borrowing plans, the LGA found that rate remained higher than a bonds agency should be able to achieve

The LGA also noted that it was easy for UK investors such as pension funds to provide capital to overseas local authorities through the London capital markets, but not so to UK local authorities

The LGA published a revised business case in March 2014 that set out how a bonds agency would issue bonds on behalf of local authorities in an efficient and cost effective manner and at lower rates than the PWLB. It identified that the regulatory environment meant that the PWLB had a de facto monopoly on providing simple loans to local authorities:

- For regulatory purposes a bank must set aside capital when lending to local authorities – unlike when lending to the Government – and therefore it is difficult for banks to compete with the PWLB on rates and make money other than by offering highly complex structured lending products.
- Bond investors value liquidity and benchmark sized issues (£250 million), which makes it difficult for most local authorities to access the bond markets, particularly as one-off bond issues can be costly.
- Supranational agencies such as the EIB would typically lend only for large projects, typically £150 million or £250 million depending on the project, thereby excluding most local authorities.

The LGA's revised business case was published in March 2014 and the company established in June 2014. The agency will act as an intermediary, borrowing the money and on-lending it to local authorities on a matched basis to deliver potentially cheaper capital finance to local authorities through periodic bond issues, as an aggregator for loans from other bodies such as the EIB, and facilitating longer term inter-authority lending via the Agency.

The LGA and shareholders representing 55 principal local authorities and 1 combined authority have invested over £6 million in the Agency. The Council is a shareholder in the Agency with a total investment of £20,000.

The Agency would offer the flexibility to borrow smaller amounts through the capital markets than the Council may be able to achieve on its own. It therefore offers an alternative and complementary source of funding to the Council.

### **Client Base**

The Agency would only lend to UK local authorities who could give a joint and several guarantee. This was currently limited to 353 principal English local authorities that have the general power of competence under section 1(1) of the Localism Act 2011. The Department for Communities and Local Government specifically intended that local authorities should be able to give guarantees using the power in its regulatory impact assessment.

The ability to give joint and several guarantees may in due course be extended to other local authorities e.g. combined, Welsh or Scottish authorities. In the event that this occurs, those authorities will be eligible to borrow from the Agency.

The Agency would prefer all borrowers to become shareholders. This ensures a strong alignment of interest between borrowers and shareholders, and is viewed positively by ratings agencies and the capital markets. Accordingly, the Agency will charge a higher interest rate to borrowers that are not shareholders, albeit one which remains competitive.

### **Loan Pricing**

The Agency would operate a transparent pricing structure. It would charge local authorities the interest the Agency pays to obtain the funds it on-lends, plus any transaction costs up to a maximum of 0.5 per cent of the amount borrowed, plus a margin to cover its costs. This margin is currently set at:

- 0.10 per cent for shareholders; and
- 0.15 per cent for non-shareholders.

The Agency may adjust these margins for new borrowing transactions at its discretion, but will not increase them. It is expected that these margins will reduce once the Agency is profitable.

Transactions costs include the Agency's credit rating agency fees, bank syndicate fees and legal costs. If the Council were to borrow from the Agency,

the Council has the option to spread these costs over the life of the loan or to expense them in the year of issue.

The Agency would not require local authorities to borrow at a rate that is higher than the PWLB, thus when borrowing via the Agency the Council should be able to achieve a saving. Over time, the rates offered by the Agency were likely to improve as its bonds programme develops and it was able to borrow from institutions such as the EIB.

### **Early Repayment (Prepayment)**

The Agency would pass on the cost of early repayment by a local authority (usually referred to as prepayment in financial services) to that local authority. However, the Agency would not profit from the transaction and would assist any local authority seeking early repayment to find the cheapest solution. For bond issues, voluntary prepayment is calculated in a similar way to the PWLB's early redemption penalties, although one option available to local authorities would be to buy back part of the bond.

### **Governance**

The Agency is a public limited company and as such is directed by its Board.

It is expected that the Board will include 7 non-executives and 3 executives. In addition, the Board will have the following 2 sub- committees, chaired by independent non-executives:

- Risk, Compliance and Audit Committee; and
- Nomination and Remuneration Committee.

In addition, the Agency will establish a Local Authority Advisory Board, comprising local authority finance officers, to facilitate two-way communication between the Agency and its borrowers.

### **Credit Process**

Prior to approving any loans, the Agency will carry out a credit assessment of each potential borrower. The Agency has developed a credit scoring model based on similar methodologies to the main credit rating agencies. In order to access funding from the Agency, a local authority will need to be able to achieve a "single A" credit rating on a standalone basis; rating agencies typically "notch up" a local authority to account for implied Government support.

In addition to credit scoring, the Agency will ensure appropriate diversification of its lending portfolio, through the contractual concentration limits agreed in the Framework Agreement, which ensure no single authority can borrow an excess proportion of the total funds available.

## **The Framework Agreement and the Joint and Several Guarantee**

### **Content of the Framework Agreement**

The Framework Agreement comprises:

- The Framework Agreement itself, which is primarily designed to prevent a call on the joint and several guarantee and lays out how the Agency will interact with local authorities.
- Schedule 1: Form of Authority Accession Deed, which local authorities sign to commit themselves to the Framework Agreement.
- Schedule 2: Form of Guarantee, which is the joint and several guarantee.
- Schedule 3: Loan Standard Terms, which is the loan agreement that covers any borrowing by an authority.
- Schedule 4: Form of Loan Confirmation, which supplements the Loan Standard Terms and confirms details of a loan such as principal, maturity, interest rate and etc. It is signed by the Agency and a borrower.

### **Need for the Joint and Several Guarantee**

The LGA's revised business case highlighted the need for borrowing authorities to sign a joint and several guarantee:

- The joint and several guarantee allows the Agency to issue bonds without having to prepare a full prospectus for each bond issue, pursuant to EU's "Prospective Directive", thereby reducing costs and complexity.
- The UK Listing Authority's "listing rules" that govern whether financial instruments can be listed on a UK stock exchange would not permit bonds issued by an agency to be listed on the London Stock Exchange for some years without a joint and several guarantee, meaning the bonds would need to be listed elsewhere such as the Channel Islands or Luxembourg.
- If, instead of a joint and several guarantee, investors had recourse to an agency's on-lending arrangements, every tranche of financing would require a separate credit rating and investors to assess the participating authorities, which would materially impact an agency's ability to reduce costs and deter a number of potential investors and lenders from lending money to the agency.
- The joint and several guarantee draws on the strength of the local government sector which is simple for investors to understand.

### **Nature of the Joint and Several Guarantee**

The joint and several guarantee is a schedule to the Framework Agreement and is direct, unconditional, irrevocable and not separately administered. In practice this means that all borrowers are collectively and individually guaranteeing the lenders to the Agency against a default by a local authority.

The Council can withdraw from the joint and several guarantee by giving notice and repaying its loans to the Agency. However, the irrevocable nature of the guarantee means that the Council will continue to guarantee the Agency's borrowings at the date of withdrawal until those borrowings mature. This prevents moral hazard i.e. a local authority borrowing from the Agency to achieve a cheaper borrowing rate, but walking away from the obligations. Withdrawal does mean that the Council will not be guaranteeing future borrowing by the Agency.

### **Preventing a Call on the Guarantee**

The Framework Agreement mitigates against a possible call on the joint and several guarantee by minimising the risk of default by a local authority, limiting the possible impact of a default and containing a default before the Agency's ability to make payments is threatened.

The Framework Agreement imposes obligations on the Agency that are designed to reduce the possibility of default by a borrower:

- The Agency must credit assess each borrower and exclude those that do not achieve at least the equivalent of a strong investment grade rating equivalent to an "A" rating from the established credit rating agencies such as Moody's.
- "Concentration limits" ensure that the Agency will maintain a diverse loan book over time that limits the proportion of the Agency's loan book that can be lent to a single or small group of authorities.
- Credit lines are available to the Agency that it must utilise in the event of a local authority missing a payment or defaulting, before it has recourse to other borrowers.

The Framework Agreement establishes a "contributions" mechanism that requires borrowers to lend the Agency funds to cover its obligations in the event of a default by a local authority. The contributions are calculated in proportion to an authority's share of the performing loan book. The loans are interest bearing and will be repaid once the Agency has recovered the sums owed to it by the defaulting authority, which it is required to do by the Framework Agreement. If the Council has no outstanding borrowings via the Agency, it will not be called upon to make contributions under the Framework Agreement.

The payment schedules set out in the Framework Agreement are designed to ensure timely payments by local authorities so that error or late payment by a borrower does not risk a call for contributions or under the guarantee.

The Framework Agreement prevents a borrower from taking action against a defaulting authority so that a single authority cannot jeopardise the structure of the Agency and / or act against the interests of other borrowers.

## Risk Of Default By An Authority

The risk of a default by a local authority is deemed to be extremely low: no principal local authority has ever defaulted on a loan. The National Audit Office in its Financial Sustainability of Local Authorities report of November 2014 observed:

*“A legal framework at the core of the local government accountability system effectively prevents local authorities becoming insolvent. Local authorities cannot borrow to finance revenue expenditure or run deficits.”*

The statutory and prudential framework under which local authorities operate is extremely strong and designed to prevent local authorities from overreaching themselves and becoming insolvent. Key aspects of the framework include:

- Local authorities are prevented from borrowing to fund services by the Local Government Finance Act 1992, which sets out how budgets and the Council Tax must be calculated, particularly Section 31A, 32 and 42A of the Act. These provisions require a budget to be balanced on a cash basis without the use of borrowing.
- Local authorities must comply with the prudential framework established by Part 1 of the Local Government Act 2003 and related regulations, including the Prudential Code for Capital Finance in Local Authorities published by CIPFA.
- Section 151 Officers have varied powers and responsibilities that result in prudent financial management. For example, if an authority cannot pay its bills as it falls due, he or she must submit a Section 114 report to the Executive / Council, which must be acted upon. A Section 151 officer must also report on the adequacy of reserves and robustness of budget estimate under Section 25 of the Local Government Act 2003 and action be taken by the Council to remedy an adverse report.
- A local authority must make a prudent Minimum Revenue Provision (“MRP”) to repay debt under the local authorities (Capital Finance and Accounting) (England) Regulations 2003, issued by the Secretary of State under Sections 21 of the Local Government Act 2003 (as amended). This means that a local authority sets aside cash via its revenue budget, sufficient to ensure it can repay its debt.
- The Agency’s credit assessments, risk management processes and the concentration limits should reduce the possibility that a local authority borrowing from the Agency is likely to default.
- Local authorities have access to the PWLB as lender of last resort and therefore can refinance any borrowings from the Agency by the PWLB if it cannot repay its debt to the Agency by other means.
- Historically, the Government has intervened when a local authority finds itself in difficulty or the Government deems a local authority to be incapable of managing itself effectively.

For the Council to be called upon to make contributions under the Framework Agreement, let alone be called upon under the joint and several guarantee, all the above controls and protections must fail.

### **Risk Of Not Recovering Contributions Or Payments Under The Joint And Several Guarantee**

The Local Government Act 2003 provides several key protections to lenders that greatly reduce the possibility that the Agency and therefore the Council would be unable to recover sums owed to it if it is required to make a contribution or pay out under the joint and several guarantee:

- Section 6 provides that a lender is not required to ensure that a local authority has the power to borrow and is not “prejudiced” in the absence of such a power. This prevents a local authority claiming an act was “ultra vires” to side step its obligations.
- Section 13 provides that all debts rank pari passu i.e. have equal status under the law and thus a creditor cannot be disadvantaged by later subordination of that debt by a local authority.
- Section 13 also secures all debts of an authority on its revenues, which is the strongest possible security for a loan as the bulk of a local authority’s revenues are either raised under statutory powers or allocated by the Government.
- Section 13 also provides for a receiver to be appointed by the High Court on application if principal and / or interest greater than £10,000 is outstanding for 60 days.

The Framework Agreement requires that the Agency must pursue any defaulting authority to the extent that if it does not do so promptly, borrowers can force it to do so.

Furthermore, the Framework Agreement provides for a strict application of the proceeds of any debt recovered by the Agency from a defaulting authority.

### **Legal Advice and Opinion**

A small group of authorities commissioned Allen & Overy, a law firm a specialist in financial transactions, to provide advice on the Framework Agreement. Allen & Overy engaged Jonathan Swift QC to provide senior counsel’s opinion on, amongst other things, whether:

- entry into the Framework agreement, execution of the Guarantee, entry into borrowing transactions under the Framework Agreement and the provision of contribution loans would all be within the general power of competence under the Localism Act 2011; and
- a local authority that decides to enter into the Framework Agreement and the Guarantee on the basis of the Document Package would be acting in accordance with the requirement of Wednesbury reasonableness.

His main conclusions were:

- local authorities do have the power, in principle, to enter into the arrangement envisaged by the Framework Agreement; and
- whilst it would, in principle, be lawful for a reasonably financially robust local authority to enter into the commitments entailed in the Framework Agreement, the final assessment of whether or not it would be reasonable use of the in principle power must be made taking into account the specific financial position of each local authority, whether it is financially robust and the balance of the advantages and disadvantages of doing so.

Wider considerations, such as establishing the independence of the sector, whether they have merit or not, should not have a bearing on the Council's assessment of the advantages and disadvantages of entering into the Framework Agreement.

Jonathan Swift QC's opinion was procured independently of the Agency.

The Council has the power to enter into the Framework Agreement under Section 1 of the Localism Act 2011 – the general power of competence. Borrowing under the Framework Agreement will be under Section 1 of the Local Government Act 2003 – the power to borrow.

## **Financial Position and Financial Robustness of the Council**

### **Need to Borrow**

The Council has a need to borrow of £15m over the next three years comprising £5m of borrowing to fund capital expenditure and £10m of refinancing including internal borrowing.

### **Financial Robustness**

The Council's revenue budget and medium term financial strategy demonstrate and set out the financial pressures the Council is under, particularly in light of the reduction in Revenue Support Grant (RSG) and uncertainties that changes to the system of local government finance and business rates may bring. Nonetheless, the Council is required to balance its budget and is subject to tight statutory controls and supervision. As highlighted elsewhere in this report, it is therefore extremely unlikely that the Council will find itself in the position that it is unable to meet the requirements of the Framework Agreement and joint and several guarantee e.g. that it makes contributions if asked.

If the Council were called upon, it could utilise available cash resources or alternatively it has access to PWLB funds at 48 hours' notice if required. Loans made to the Agency under the Framework Agreement as part of the contribution arrangements could constitute capital expenditure because loans to third parties are defined as such under the (Capital Finance and Accounting) (England) Regulations 2003 (as amended). Given that the Agency is likely to recover the amounts owed to it by a defaulting authority and that the contributions are in themselves loans, the impact on the revenue

budget it likely to be negligible if the Council is required to make a contribution or called upon under the joint and several guarantee.

### **Recommendation of Cabinet**

Cabinet decided to recommend to Council that –

- (1) the Council's entry into the UK Municipal Bonds Agency Framework Agreement and its accompanying schedules including the joint and several guarantee be approved;
- (2) delegated authority be given to the Head of Corporate Resources as Section 151 Officer and the Monitoring Officer to enter into the Framework Agreement and accompanying schedules, as appropriate, on behalf of the Council;
- (3) signing the Framework Agreement does not make the Council subject to the joint and several guarantee or provisions of the Framework Agreement until such time it borrows from the Agency;
- (4) the Section 151 Officer, after consultation with the Portfolio Holder for Corporate Resources, be given delegated authority to agree amendments to the Framework Agreement as appropriate; and
- (5) the document, 'Introduction to the UK Municipal Bonds Agency – A Guide for Local Authorities' be noted.

**Recommended that** – the recommendation of Cabinet be approved.

### **3. ADOPTION OF SECTION 76 OF THE PUBLIC HEALTH ACT 1925 – LICENSING ENFORCEMENT AT RUGBY RAILWAY STATION TAXI WAITING AREA**

Cabinet considered the following report.

#### **Background**

The area where hackney carriage taxis wait for customers at Rugby railway station is on a private road, and is not a Council taxi rank (stand). The local taxi trade representative group (Rugby Hackney Operators and Drivers Association - RHODA) enquired whether the Council had ever adopted section 76 of the Public Health Act 1925 which enables the Council to take enforcement action at a private taxi rank or stand, at a Railway Station, against private hire drivers who may ply for hire in that area.

The matter was considered by the Licensing and Safety Committee on 9th June 2015. A copy of the report and minutes are attached as Appendix 1.

**Recommendation of Cabinet**

Cabinet decided that it be recommended to Council that Section 76 of the Public Health Act 1925 be adopted with effect from 1 October 2016.

**Recommended that** – the recommendation of Cabinet be approved.

**COUNCILLOR M STOKES  
CHAIRMAN**

**Agenda No 4****AGENDA MANAGEMENT SHEET**

<b>Name of Meeting</b>	Special Licensing and Safety Committee
<b>Date of Meeting</b>	9 June 2015
<b>Report Title</b>	Changes to Taxi Licensing
<b>Portfolio</b>	Sustainable Environment
<b>Ward Relevance</b>	All
<b>Prior Consultation</b>	N/A
<b>Contact Officer</b>	Mr J Collins. Team Leader, Public Health and Licensing. (ext 3667)
<b>Report Subject to Call-in</b>	N
<b>Report En-Bloc</b>	N
<b>Forward Plan</b>	N/A
<b>Corporate Priorities</b>	Enable our residents, visitors and Enterprises to enjoy, achieve and prosper.
<b>Statutory/Policy Background</b>	Deregulation Act 2015. DVLA Policy on paper driver licences and on licensing EU drivers. Rugby Borough Council Taxi Licensing Policy. Local Government (Miscellaneous Provisions) Act 1976. Sections 53 and 70. Public Health Act 1925. Section 76.
<b>Summary</b>	There are a number of changes and developments in taxi licensing, which Licensing and Safety Committee, need to be aware of. These include changes to the length of certain licences, sub-contracting of private hire transport, the end of the DVLA paper licence, EU drivers applying for Dual Driver Licences without

having UK driver licences and cost accounting/fees setting. In addition, the taxi trade have asked that the Council adopt a specific section of an older piece of legislation, in order to enforce at the private taxi rank by the railway station.

***Risk Management Implications***

The legislation requires councils to determine the costs of administering taxi licensing and set fees to enable cost recovery. Failure to comply means there could be a deficit in Council funds for this service and the fees charged by the Council could be challenged. If licensed taxi drivers, who have EU licences, are not required to have UK driver licences, it will be difficult to check if they have any motoring convictions in this Country, potentially putting passengers at risk.

***Financial Implications***

The costing exercise will show if the current fees are covering the actual costs of administering the taxi service, issuing licences and compliance checks. If the costs are not being fully recovered, the fees will have to increase, and a report will be brought back to Committee on this. The change from annual to 3-yearly driver licences and 5-yearly operator licences will also be considered, where it is thought that reduced fees (averaged per year) may reduce.

***Environmental Implications*** None.

***Legal Implications***

The Deregulation Act 2015 will change licence periods for driver and private hire operator licences. It will also allow sub –contracting of private hire work, and this will be difficult for officers to regulate. If the Council does not adopt section 76 of the Public Health Act 1925, it means that officers cannot enforce against plying for hire, at the private taxi rank by the railway station.

***Equality and Diversity*** None.

***Options***

1. Committee note the changes in taxi licensing, mentioned in the report and approve further consultation. The Head of Environmental Services be requested to start preparatory work for a report to be submitted to Full Council, to adopt section 76 of the Public Health Act 1925.

Benefits: compliance with changes in legislation. The Council will be able to enforce against private hire drivers at the Railway Station taxi rank (stand).

Risks: temporary procedures will be required to be introduced by the Head of Environmental Services to cover immediate operational needs.

2. Committee note the changes in taxi licensing, but determine alternative actions. They do not recommend that section 76 of the Public Health Act 1925 is adopted.

Benefits: rapid progress to implementing adopted new policies

Risks: potential non-compliance with legislation.

***Recommendation***

- (1) The changes in taxi licensing, mentioned in the report be noted and further consultation is approved; and
- (2) the Head of Environmental Services be authorised to undertake work to submit a report to full Council, to adopt section 76 of the Public Health Act 1925.

***Reasons for Recommendation***

So that Committee are aware of the changes in taxi licensing, and that EU drivers are treated in compliance with EU legislation while protecting the public.

## Agenda No 4

### Special Licensing and Safety Committee - 9 June 2015

#### Changes in Taxi Licensing

#### Report of the Head of Environmental Services.

**Recommendation:**

- (1) The changes in taxi licensing, mentioned in the report be noted and further consultation is approved; and
- (2) the Head of Environmental Services be authorised to undertake work to submit a report to full Council to adopt section 76 of the Public Health Act 1925.

#### 1. Background.

Rugby Borough Council is a Licensing Authority for Taxi Licensing.

There are some current developments in Taxi Licensing, because of changes in Legislation or Government Agency Policy and other factors, which will affect how we administer taxi licensing.

These developments are outlined in the following paragraphs.

#### 2. Deregulation Act 2015.

This Act has now received Royal Assent, and was brought in by the Government just before the Election.

It covers a wide range of topics but there are some sections (10 & 11) relating to taxi licensing.

These were brought in following the Law Commission review into Taxi Licensing, and their report, which has been published.

These provisions in the Deregulation Act come into force on the 1<sup>st</sup> October 2015. From that date, Driver licences for hackney carriage drivers and private hire vehicles, will be for three years.

We currently issue Dual driver licences on an annual basis. There will be less administration but officers will still make regular checks on drivers with regard to their DVLA licence data. This is to ensure that they do not have motoring convictions, which they have not advised the Council about. Medical and Criminal record checks will continue as before.

In exceptional circumstances, the Council can issue a dual driver licence for only one year, but this will be a decision made by Licensing and Safety Committee or Sub-Committee. Each case will be considered on its own merits.

Private Hire Operator licences will now last for five years. Currently licences are issued annually.

Private Hire Operators will also be able to sub-contract bookings to other operators, which may be licensed in another Council area. This is to give business more flexibility, but it will be more difficult for officers to check if there are complaints.

The Council is waiting for guidance on these changes to taxi licensing, from the Department for Transport.

The Council is permitted to recover the costs of administration of the taxi licensing scheme which includes issuing licences, compliance checking and policy development. It is intended that with more efficient and less routine administration that officers will be able to carry out more compliance checking.

### **3. DVLA paper counterpart driver licence.**

The Driver and Vehicle Licence Agency, DVLA, which is a Government Body, has announced that the paper counterpart driver licence will no longer be in use from early June 2015.

Paper counterpart licences will no longer be issued and motoring convictions will no longer be entered on them.

We currently request existing drivers to bring in their paper DVLA licences, when they make their annual application to renew their dual driver licence. This is to see if they have any new motoring convictions, which they have not advised us about.

We will no longer be able to do this check, in this way.

DVLA driver data will be mostly electronic, though there will still be the DVLA paper data disclosure, which has previously been sent to us, which will be required for EU drivers who do not convert to a UK licence

Officers are planning to use an external company to provide this data via secure web links in an easy to read format, in compliance with DVLA advice.

Officers will then be able to access DVLA driver data for new licence applicants and also for existing drivers. There will be a minimum of an annual check on a driver's DVLA data, and checks may be more frequent for some drivers.

The data is password protected and easier to read than the existing DVLA paper data records, that they send us.

The cost will be slightly more than the current DVLA fee, but this will be incorporated into the licence fee.

The main changes are:

- For UK driving licence holders the service will be quicker to access
- Drivers will only have to sign a mandate every 3 years.
- Officers will have to check that we have a recent mandate from all licensed drivers, and may have to request that a new one is signed by the driver.
- Drivers who currently do not respond to reminders risk being suspended. Electronic access will remove the need for reminder letters and reduce the risk of suspension if they do not respond.
- For higher risk drivers more frequent checks can be made.
- Where complaints are received checks can be made quicker.
- For EU drivers who have not converted their licence to a UK licence will still need to use paper requests as their records are stored differently by DVLA.

#### **4. Taxi Licensing Costs Accounting Exercise-Fees Setting.**

Experience with other authorities has clarified how costs of fees are determined. Fees can only cover the costs of the administration of taxi licensing schemes.

Officers are currently conducting a costs accounting exercise, within the Council, to determine the total costs of administering the taxi licensing regime.

Costs have to be separated into those for different types of licence; e.g. driver, vehicle, private hire operator.

There also has to be separation between hackney carriage and private hire licensing.

There cannot be cross-subsidy between different types of licences.

Costs not only include issue of licence and administration but also compliance checks, policy producing and ancillary costs, as a number of other council teams. are involved.

The legislation also stipulates what costs can be included for different types of licence.

Once the costs have been determined and recorded, officers will compare these against the fees charged. This is to find out if costs are being fully recovered or not.

Costs can be averaged over a three year period.

Councils are not allowed to make a profit on fees, and any costs have to be able to be scrutinised and be able to be audited.

Fees for licences and ancillary services may have to be increased, and a report will be brought back to this Committee, with full details of costs and proposed fees.

There is a legal process the Licensing Authority must follow when changing taxi fees. There would be a recommendation to Cabinet or Full Council, to approve consultation with the trade and that an advert is placed in the local press, for a period of 28 days, to advertise the fees increase.

A report would be brought back to Committee after consultation and the advert period, with details of any consultation responses received, to consider any responses and whether the fees should be increased from a set date.

Committee would then make a recommendation to Cabinet or full Council, on the fees to be set.

## **5. EU drivers and UK driving licences.**

The current situation is that a person can apply for a dual taxi driving licence from the UK, the EU or another country. However, to apply they must hold a type of UK driving licence, either a full UK driving licence or if from the EU they can hold their national licence and a paper counterpart.

This means that all drivers have a UK driving licence number which can be used to access records held by DVLA. Any points on a licence, any convictions or disqualifications would also be recorded.

The current Taxi Licensing Policy does not require EU licence holders to have a full UK driver licence, before a driver licence is issued. That is consistent with other authorities and with EU legislation that requires the removal of unnecessary barriers to EU citizens working in the UK.

In addition, the DVLA paper counterpart allows them to take the DVSA taxi driver test, using their EU driver licence.

However, the removal of the paper counterpart by DVLA is causing issues.

The process from early June is that EU licence holders can still apply to the DVLA using the same form (Form D1), but instead of receiving a paper counterpart, they receive a certificate of registration with a reference number that can only be used to take the DVSA taxi test.

Not having a UK driving licence means:

- DVLA hold only limited information (convictions in UK courts) and as the records are not linked to a UK driving licence number the records cannot be easily accessed
- There is a risk that offences may not be pursued by enforcement agencies such as the police, e.g. if they are caught speeding if they hold an EU licence it will have to be sent to court, which is more difficult than for UK drivers who can be given points without a court hearing
- DVLA do not record points issued on a licence so they could get more than 12 points without disqualification

It is important for passenger safety, that officers can check motoring convictions of any licensed drivers, to establish if they are fit and proper persons to hold a licence. Officers would also have difficulty if the driver moved address, as there would not be an UK driver licence with a UK address.

Officers feel that the existing Rugby Taxi Licensing Policy should be amended, so that dual driver licence applicants with EU driver licences have to obtain a UK driver licence first, before the dual driver licence is issued to them. However, there are two issues with this:

- Officers have been advised that EU drivers cannot convert their driving licences to UK ones, with a UK address, once they have passed the DVSA taxi driver test. They simply receive a pass certificate they can show to licensing authorities.
- Before a licence can be transferred they must be UK residents and to meet that criterion they must reside in the UK for at least 185 days.

Therefore, if we required all EU drivers to exchange their licence for a UK driving licence they would have to:

- Pass the standard DVSA test and then also, as part of the council requirement, pass the DVSA taxi test
- Live in the UK for at least 185 days, which would limit their ability to work in the UK.

The alternative is those EU drivers continue to hold their licence which could mean offences are either not pursued by the police or records are not held by DVLA.

Further discussion with other authorities is required and consultation with the taxi trade before a report can be brought to Committee.

However, the views of Committee on this subject would be of value to allow officers to develop a proposal.

Officers invite the Committee to consider whether, from 8 June 2015, all holders of dual driver licences (i.e. both hackney carriage and private hire), should hold a current UK driving licence. This is when the paper counterpart DVLA driver licence, is no longer in use.

## **6. Adoption of Section 76 of the Public Health Act 1925-Enforcement at the Railway Station Taxi Rank.**

The taxi rank at Rugby railway station is on a private road, and is not a Council Taxi rank (stand).

The Council Licensing team has been contacted by the Secretary of the Local Hackney Carriage association (the Rugby Hackney Operators and Drivers Association, RHODA), to enquire whether Rugby Borough Council ever adopted

section 76 of the Public Health Act 1925. A copy of section 76 of the Act is attached at Appendix 1.

This section enables the Council to take enforcement action at a private taxi rank or stand, at a Railway Station, against private hire drivers who ply for hire.

Officers have checked with the Council's Legal team and there is no record of the Council ever adopting this section of the Public Health Act 1925. We have advised the Taxi trade that we will consider this, but that it is a significant amount of work, with a number of legal steps for the Council.

In addition, the legislation on taxi licensing is outdated and may be changed by the Government, in accordance with the recommendations of the Law Commission report. However, there is no timescale on this, at the present time, with the new Government.

The Chairman of Licensing and Safety Committee has requested that officers consider submitting a report to Licensing and Safety Committee recommending that Full Council adopt this legislation.

Officers recommend that the Committee authorise the Head of Environmental services to start work on submitting a report to full Council, on adopting section 76 of the Public Health Act 1925.

Name of Meeting: Special Licensing and Safety Committee  
 Date of Meeting: 9 June 2015  
 Subject Matter: Changes to Taxi Licensing  
 Originating Department: Environmental Services.

## LIST OF BACKGROUND PAPERS

Document No	Date	Description of Document	Officer's Reference	File Reference
1.		Link to section 10 of the Deregulation Act 2015 <a href="http://www.legislation.gov.uk/ukpga/2015/20/section/10/enacted">http://www.legislation.gov.uk/ukpga/2015/20/section/10/enacted</a>	JHC 1	
2.		Link to section 11 of the Deregulation Act 2015. <a href="http://www.legislation.gov.uk/ukpga/2015/20/section/11/enacted">http://www.legislation.gov.uk/ukpga/2015/20/section/11/enacted</a>	JHC2	
3.		Link to Deregulation Act 2015 (Commencement No 1 and Transitional and saving provisions) order 2015. <a href="http://www.legislation.gov.uk/uksi/2015/994/article/11/made">http://www.legislation.gov.uk/uksi/2015/994/article/11/made</a>	JHC3	
4.		Link to section 53, Local Government (misc provisions) Act 1976. <a href="http://www.legislation.gov.uk/ukpga/1976/57/section/53">http://www.legislation.gov.uk/ukpga/1976/57/section/53</a>	JHC 4	
5.		Link to section 70, Local Government (misc provisions) Act 1976. <a href="http://www.legislation.gov.uk/ukpga/1976/57/section/70">http://www.legislation.gov.uk/ukpga/1976/57/section/70</a>	JHC5	
6.		Link to section 76, Public Health Act 1925. <a href="http://www.legislation.gov.uk/ukpga/Geo5/15-16/71/section/76">http://www.legislation.gov.uk/ukpga/Geo5/15-16/71/section/76</a> - attached	JHC6.	

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*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Public Health Act 1925. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

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# Public Health Act 1925

1925 CHAPTER 71 15 and 16 Geo 5

## PART VIII

### MISCELLANEOUS

#### 76 As to public vehicles taken at railway stations.

##### Annotations:

##### Modifications etc. (not altering text)

- C1** Power to extend or exclude section 76 conferred by Local Government Act 1972 (c. 70), Sch. 14 Pt. II para. 25; excluded (Greater London) by Local Government Act 1972 (c. 70), Sch. 14 Pt. II para. 26 and S.I. 1973/686, art. 2(1), Sch. 1

In any area within which the provisions of the <sup>M1</sup>Town Police Clauses Act 1847, with respect to hackney carriages are in force, those provisions and any byelaws of the local authority with respect to hackney carriages shall be as fully applicable in all respects to hackney carriages standing or plying for hire at any railway station or railway premises within such area, as if such railway station or railway premises were a stand for hackney carriages or a street:

Provided that—

- (a) the provisions of this section shall not apply to any vehicle belonging to or used by any railway company for the purpose of carrying passengers and their luggage to or from any of their railway stations or railway premises, or to the driver or conductor of such vehicle;
- (b) Nothing in this section shall empower the local authority to fix the site of the stand or starting place of any hackney carriage in any railway station or railway premises, or in any yard belonging to a railway company, except with the consent of that company.

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*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Public Health Act 1925. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

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**Annotations:****Modifications etc. (not altering text)**

- CI** Power to extend or exclude section 76 conferred by Local Government Act 1972 (c. 70), Sch. 14 Pt. II para. 25; excluded (Greater London) by Local Government Act 1972 (c. 70), Sch. 14 Pt. II para. 26 and S.I. 1973/686, art. 2(1), Sch. 1

**Marginal Citations**

- MI** 1847 c. 89.

**Changes to legislation:**

There are outstanding changes not yet made by the legislation.gov.uk editorial team to Public Health Act 1925. Any changes that have already been made by the team appear in the content and are referenced with annotations.

**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

- Act functions made exercisable by S.I. 2015/378 reg. 3 Sch. 3 para. 2

**Commencement Orders yet to be applied to the Public Health Act 1925**

Commencement Orders bringing legislation that affects this Act into force:

- S.I. 2003/1900 art. 2 Sch. 1 2 commences (2003 c. 21)

# ORIGINAL ARTICLES

1. *Observations on the Pathogenesis of the Common Cold*  
2. *Experimental Studies on the Pathogenesis of the Common Cold*

3. *Observations on the Pathogenesis of the Common Cold*  
4. *Experimental Studies on the Pathogenesis of the Common Cold*

5. *Observations on the Pathogenesis of the Common Cold*  
6. *Experimental Studies on the Pathogenesis of the Common Cold*

7. *Observations on the Pathogenesis of the Common Cold*  
8. *Experimental Studies on the Pathogenesis of the Common Cold*

9. *Observations on the Pathogenesis of the Common Cold*  
10. *Experimental Studies on the Pathogenesis of the Common Cold*

11. *Observations on the Pathogenesis of the Common Cold*  
12. *Experimental Studies on the Pathogenesis of the Common Cold*

13. *Observations on the Pathogenesis of the Common Cold*  
14. *Experimental Studies on the Pathogenesis of the Common Cold*

15. *Observations on the Pathogenesis of the Common Cold*  
16. *Experimental Studies on the Pathogenesis of the Common Cold*

17. *Observations on the Pathogenesis of the Common Cold*  
18. *Experimental Studies on the Pathogenesis of the Common Cold*

19. *Observations on the Pathogenesis of the Common Cold*  
20. *Experimental Studies on the Pathogenesis of the Common Cold*

21. *Observations on the Pathogenesis of the Common Cold*  
22. *Experimental Studies on the Pathogenesis of the Common Cold*

23. *Observations on the Pathogenesis of the Common Cold*  
24. *Experimental Studies on the Pathogenesis of the Common Cold*

25. *Observations on the Pathogenesis of the Common Cold*  
26. *Experimental Studies on the Pathogenesis of the Common Cold*

27. *Observations on the Pathogenesis of the Common Cold*  
28. *Experimental Studies on the Pathogenesis of the Common Cold*

29. *Observations on the Pathogenesis of the Common Cold*  
30. *Experimental Studies on the Pathogenesis of the Common Cold*

31. *Observations on the Pathogenesis of the Common Cold*  
32. *Experimental Studies on the Pathogenesis of the Common Cold*

# MINUTES OF SPECIAL LICENSING AND SAFETY COMMITTEE

9 JUNE 2015

## PRESENT:

Councillors Miss Lawrence (Chairman), Mrs A'Barrow, Mrs Avis, Birkett, Mrs Bragg, Cade, Dodd, Mrs Garcia, Gillias (substitute for Councillor Dr Williams), Mrs Nash, Mrs Roberts, Mrs Roodhouse, Mrs Simpson-Vince, Srivastava and Ms Watson-Merret

## 4. MINUTES

The minutes of the meetings held on 17 March 2015 and 21 May 2015 were approved and signed by the Chairman.

## 5. APOLOGIES

Apologies for absence from the meeting were received from Councillor Dr Williams.

## 6. DECLARATIONS OF INTEREST

There were none.

## 7. CHANGES TO TAXI LICENSING

The Committee considered the report of the Head of Environmental Services (Part 1 - agenda item 4) concerning changes and developments that have an effect on taxi licensing and the adoption of section 76 of the Public Health Act 1925.

Recent developments in taxi licensing had occurred due to changes in Legislation or Government Agency Policy and related factors had also come to light that would have an affect how the council administers taxi licensing in future. These included:

- The Deregulation Act 2015 and the effects of compliance.
- The removal of the paper counterpart driver licence by the DVLA and the effect this would have in relation to the availability of driver data and on setting taxi licensing fees.

In addition to this an enquiry had been received from the Rugby Hackney Operators and Drivers Association (RHODA) asking if the council had ever adopted section 76 of the Public Health Act 1925.

It was clear that the issues raised in the report and compliance with the changes would result in additional costs to cover the administration of the new processes that would be required. These costs would have to be recovered by being factored into the taxi licensing fees though the current fees have been in place for some time and were due for review.

The Committee considered the report in detail section by section.

### *Deregulation Act 2015*

From 1 October 2015 the following provisions from the Act come into force:

- Driver licences for hackney carriage and private hire vehicles will be for a period of three years.
- Private Hire Operator licences will be issued for a period of five years.
- Private Hire Operators will be able to sub-contract bookings to other operators.

Further guidance on the changes was awaited from the Department for Transport.

Private hire operators will be able to sub-contract bookings to other operators that may be licensed in another local authority area so the onus would be placed on the operators to keep accurate records. This topic would be raised with the trade at the next meeting of the Taxi Forum.

### *DVLA paper counterpart driver licence*

From 8 June 2015 the Driver and Vehicle Licence Agency (DVLA) had abolished the paper counterpart driver licence.

The paper counterpart was used by the DVLA to record details of any motoring convictions the licence holder may have. This information was used by licensing officers to assist in determining applications and whether the applicant satisfied the statutory test of being a fit and proper person.

In future licensing officers will access the data held by the DVLA through an external company who will obtain this electronically via a secure web link.

The electronic checks will cost £4.75 each. In addition to the checks required for new applications all driver's licences will be checked annually. Further checks may be required in some circumstances if the driver's motoring history warrants this.

Officers were currently exploring the opportunity to enter into a Memorandum of Understanding with the police to enable information held on police records to be shared.

### *Taxi licensing costs accounting exercise – fees setting*

Officers were currently conducting a cost accounting exercise to determine the total costs involved in administering the taxi licensing system and make comparisons with the current fees.

The costs include issuing licences, compliance checking and policy development but enforcement action cannot be taken into account when setting taxi licensing fees. This has been subject to a legal challenge at another authority and it was possible this could change in future.

Councils are not permitted to make a surplus on fees. The costs will be averaged out over a three year period and must be able to be scrutinised and audited.

Officers will report back to a future meeting of the Committee with the outcomes of the exercise and full details of costs and proposed fees.

Any proposed changes to licensing fees must follow a formal consultation process with the trade and other partner agencies and the fees must be advertised for a period of 28 days.

The next stage would be to report back to this Committee on the outcomes of the consultation and advert.

### *EU drivers and UK driving licences*

The abolishment of the paper counterpart by the DVLA meant that EU licence holders applying to the DVLA will now receive a certificate of registration with a unique reference number that allows them to take the DVSA taxi test before a taxi licence is issued.

EU drivers cannot convert their driving licences to UK licences once they have passed the DVSA taxi driver test.

Before an EU licence can be transferred the holder must become a UK resident and have resided here for 185 days beforehand.

Currently all Dual Driver's Licence applicants must have held a UK or EU driver licence for a period of one year.

Officers reported that two Dual Driver's Licences have been issued to drivers from the EU and further applications were expected.

The Committee were asked to consider whether all holders of a Dual Driver's Licence should also have a UK driving licence.

Officers were currently in discussions with other authorities and the Committee acknowledged that further consultation with the local taxi trade and the DVLA was required

The Committee were concerned that the limited information held by the DVLA meant that EU drivers motoring records could not be checked easily and it would be difficult to determine that they were a fit and proper person.

The application process for a Dual Driver's Licence differs for drivers from countries outside the EU.

Officers advised that it was important to act in the best interests of protecting the public and it would be less discriminatory to all if the same rules applied to everyone.

The Committee were asked their views on the consultation.

Members asked if the Council could be criticised for insisting EU drivers, who can drive and work in the UK, were required to have a UK driving licence. Legal and officer view was that UK and non-EU drivers had to and it was not discriminatory as it was important for public safety.

*Adoption of Section 76 of the Public Health Act 1925 – Enforcement at the Railway Station Taxi Rank*

The council could find no record that this piece of legislation had ever been adopted.

Officers were unaware of any evidence of the need to adopt this legislation, but the taxi trade had requested it and had the potential to be misused by private hire drivers. Members were advised that work on this would mean other work would be delayed.

Members agreed that work should commence to adopt the legislation.

**RESOLVED THAT –**

- (1) the changes in taxi licensing be noted and further consultation be approved;
- (2) members of the Committee agreed that their preferred option of the review consultation on driving licences was that all holders of Dual Driver's Licenses should hold a current UK driving licence; and
- (3) the Head of Environmental Services be authorised to undertake work to submit a report to full Council to adopt section 76 of the Public Health Act 1925.

**8. MOTION TO EXCLUDE THE PUBLIC UNDER SECTION 100(A)(4) OF THE LOCAL GOVERNMENT ACT 1972**

**RESOLVED THAT-** under Section 100(A) (4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of information defined in paragraphs 1, 2 and 3 of Schedule 12A of the Act.

**9. GRANT OF A DUAL DRIVER'S LICENCE**

The Committee considered the report of the Head of Environmental Services (Part 2 - agenda item 1) concerning the application for the grant of a Dual Driver's Licence.

The driver was present and addressed the committee.

**RESOLVED THAT –**

- (1) the application for the grant of a Dual Driver's Licence be approved; and
- (2) the Head of Environmental Services write to the driver warning them about their future conduct.

**10. GRANT OF A DUAL DRIVER'S LICENCE**

The Committee considered the report of the Head of Environmental Services (Part 2 - agenda item 2) concerning the application for the grant of a Dual Driver's Licence.

The applicant was present and addressed the committee.

**RESOLVED THAT** – the application for a Dual Driver's Licence be approved.

**CHAIRMAN**

**Special Council - 20<sup>th</sup> September 2016**

**Approval of Accounts for 2015/16**

**Report of the Head of Corporate Resources and Chief Financial Officer**

**1. BACKGROUND**

- 1.1. The Statement of Accounts was prepared and authorised for issue by 30<sup>th</sup> June 2016, in accordance with the Accounts and Audit Regulations and has since been subject to external audit by Grant Thornton LLP.
- 1.2. In accordance with the Accounts and Audit Regulations and the Council's Constitution, the Statement of Accounts has to be approved by the Council before 30<sup>th</sup> September, following scrutiny by the Audit & Ethics Committee.
- 1.3. Prior to approval by Council, the accounts are being presented for consideration by Audit & Ethics Committee on 15<sup>th</sup> September 2015. However, at the time of writing this report there are a small number of issues from the audit that are still outstanding and being discussed with Grant Thornton. Therefore, in the absence of a final signed version of the Statement of Accounts, the latest version has been distributed with this report that accommodates Grant Thornton's changes that have been accepted to date.
- 1.4. It is anticipated that the audit of the accounts will have been finalised by the date of the Council meeting and any amendments will be circulated at the meeting.

**2. STATEMENT OF ACCOUNTS 2015/16**

- 2.1. The Statement of Accounts comprises of the following financial statements;
  - i) **The Narrative Report** - includes financial summaries which detail the actual spend and income for the year compared with the original budget; financial and non-financial performance; risks and a financial outlook
  - ii) **Movement in Reserves Statement** – This shows the amounts transferred to/from the various reserves held by the Council in order to provide services throughout the year, having taken account of statutory adjustments for financing.

The statement shows that useable reserves increased by approximately £5.4 million, which was mostly due to the planned transfer of HRA surpluses to reserves, rather than being utilised for debt repayment, to facilitate a new build programme.

- iii) **Comprehensive Income & Expenditure Statement** – show an analysis of the income and expenditure for providing services to the public in accordance with the CIPFA reporting requirements rather than by Portfolio.

The account is prepared in accordance with International Financial Reporting Standards (IFRS), however, regulations allow local authorities to reverse or replace certain items of income and expenditure. These items are detailed in note 12 of the financial statements and are summarised in the MIRS.

- iv) **Balance Sheet** – sets out the Council's overall financial position at the beginning and end of the financial year categorised by assets and liabilities. The Council's net worth increased from £72.7m to £109.4m mostly due to an increase in the value of the Council's property and heritage assets and a reduction in the pension liability.
  - v) **Cash Flow Statement** – details the main revenue, capital, investment and financing cash movements during the year. Additional information is included within the notes to the accounts.
  - vi) **Housing Revenue Account (HRA) Statements** – In accordance with the statutory ring-fence, these show the income and expenditure relating to the provision of Council housing and also the overall amount taken from/contributed to HRA balances for the year.
  - vii) **Collection Fund Statement** – shows the transactions relating to business rates and council tax and illustrates the way in which they have been distributed between the Council, Central Government, Warwickshire County Council, Warwickshire Police and Parish Councils.
- 2.2. The notes of the main financial statements provide additional information to the readers on the figures included within the statements.
- 2.3. A summary of the Financial Statements will be available on the Council's website.

### **3. AUDIT FINDINGS REPORT**

- 3.1. The accounts have been audited by Grant Thornton LLP who have issued the attached draft audit findings report (Appendix 1). The audit findings report states the financial statements give a true and fair view of the Council's financial position as at 31st March 2016 and the statements have been prepared properly in accordance with the CIPFA Code of Practice on Local Authority Accounting 2015/16 and applicable law.
- 3.2. The auditors anticipate issuing an unqualified audit opinion by 30th September
- 3.3. In addition they have concluded the Council has proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

- 3.4. Should there be any amendments to this draft audit findings report, a revised version will be circulated at the meeting.

#### **4. MANAGEMENT LETTER OF REPRESENTATION**

- 4.1. The management representation letter (Appendix 2) is a formal letter written by the external auditors, which is signed by the Council's senior management. The letter attests to the accuracy of the financial statements that the Council has submitted to the auditors.
- 4.2. The management letter of representation enables the Council to declare in writing that the statement of accounts and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the best of the management's knowledge. The auditors use this letter as part of their audit evidence.

#### **5. CONCLUSION**

- 5.1. The draft Statement of Accounts for 2015/16 was prepared and presented to Grant Thornton LLP for audit by the 30<sup>th</sup> June 2016 deadline and has been subject to external audit. The audited accounts now require Council approval, prior to publication before 30<sup>th</sup> September 2016



# The Audit Findings for Rugby Borough Council

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**Year ended 31 March 2016**

September 2016

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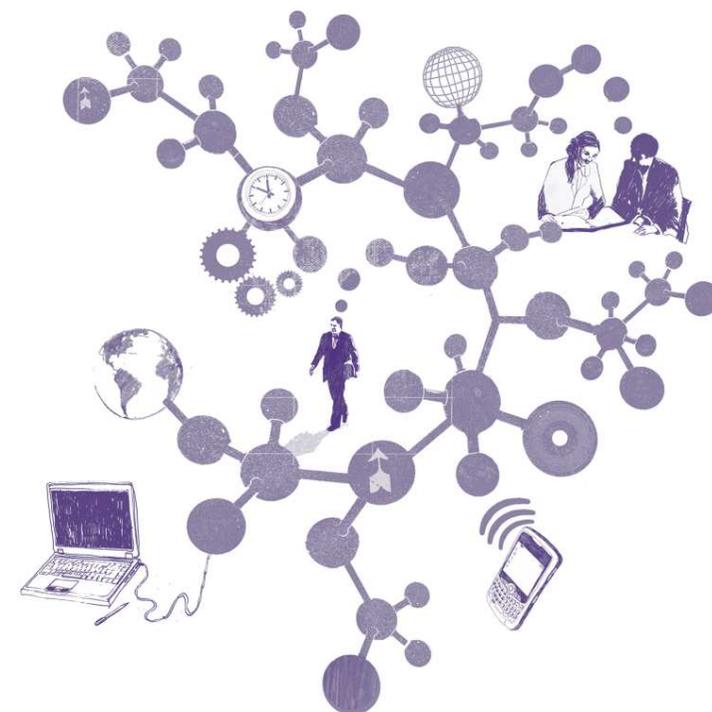
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September 2016

Dear Members of the Audit and Ethics Committee

**Audit Findings for Rugby Borough Council for the year ending 31 March 2016**

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Rugby Borough Council, the Audit and Ethics Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

John Gregory

Engagement lead

**Chartered Accountants**

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# Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

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05. Communication of audit matters

## Purpose of this report

This report highlights the key issues affecting the results of Rugby Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

## Introduction

In carrying out our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation and
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

## Key audit and financial reporting issues

### Financial statements opinion

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A).

The key messages arising from our audit of the Council's financial statements are:

- The financial statements for the year ended 31 March 2016 recorded net expenditure of -£36,735,000, which is mainly due to the upwards revaluation of property, plant and equipment of £18,180,000 and the reduction in the IAS19 liability of £11,762,000. We have identified no adjustments affecting the Council's reported financial position
- The net cost of services have been restated to remove £9,543,000 of overhead recharges incorrectly accounted for as income and expenditure.
- We have made a small number of adjustments to the disclosures to improve the presentation of the financial statements.

Further details are set out in section two of this report.

### Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

## Controls

### Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

### Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

### **Value for Money**

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

### **Other statutory powers and duties**

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

### **Grant certification**

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Audit and Ethics Committee which is due in February 2017.

### **The way forward**

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Corporate Resources and Chief Financial Officer

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Head of Corporate Resources and Chief Financial Officer and the finance team.

### **Acknowledgement**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**September 2016**

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## Section 2: Audit findings

- 01. Executive summary
- 02. Audit findings**
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- 05. Communication of audit matters

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £1,215k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and, following receipt of the draft financial statements, revised our overall materiality to £1,252k (being 2% of outturn gross revenue expenditure).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £62k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10k
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10k

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Rugby Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Rugby Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have completed the following testing:</p> <ul style="list-style-type: none"> <li>• review of entity controls</li> <li>• testing of journal entries</li> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p>

# Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<ul style="list-style-type: none"> <li>• Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated.</li> <li>• Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements.</li> <li>• Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation.</li> <li>• Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>	<p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Employee remuneration</b>	Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>performance of substantive testing on material expenditure streams.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>performance of substantive testing on material expenditure streams and creditors</li> <li>review of accounting estimates, judgments and decisions made by management.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Welfare expenditure</b>	Welfare benefit expenditure improperly computed	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>undertaken walkthrough of the key controls for this system</li> <li>testing of the final Housing Benefit claim will be completed using the HB COUNT methodology, with assurance for the financial statements taken from the testing of the initial sample of 20 rent allowance cases and other modules of the HB COUNT approach.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>• Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.</li> <li>• There are policies covering the major sources of income such as fees and charges, grants, Council Tax, NDR and interest receivable.</li> </ul>	Our review of revenue recognition policies has not highlighted any issues which we wish to bring to your attention	 <b>Green</b>
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>• Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>– Useful life of PPE</li> <li>– Revaluations</li> <li>– Impairments</li> <li>– Accruals</li> <li>– Valuation of pension fund net liability</li> <li>– Provision for NNDR appeals</li> <li>– Other provisions</li> </ul> </li> </ul>	The audit work undertaken did not highlight any issues with regard to these judgements and estimates and has not highlighted any issues which we wish to bring to your attention.	 <b>Green</b>

**Assessment**

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	The Head of Corporate Resources and Chief Financial Officer, s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 <b>Green</b>
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	 <b>Green</b>

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators  
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit and Ethics Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We obtained direct confirmations from third parties for the Council's material loans, bank and short term investment balances. These confirmations did not raise any issues about the sums recognised in the Council's financial statements.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review identified some omitted disclosures in the financial statements. The more significant of these omissions are detailed in the 'Misclassifications and disclosure changes ' section of the report. The financial statements have been adjusted to include these required disclosures.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<p>We have not identified any issues we would be required to report by exception in the following areas:</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or is otherwise misleading.</li> </ul>
8.	<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>Note that work is not required as the Council does not exceed the threshold;</li> </ul>

# Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Welfare Expenditure as set out on page 12 above.

The controls were found to be operating effectively and we have no matters to report to the Audit and Ethics Committee

## Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	9,543	CIES	<p>This relates to the Council including overhead recharges as income and expenditure within the CIES. The effect of this misclassification is to overstate both income and expenditure within the net costs of services.</p> <p>The impact of this change is to reduce expenditure and income within net cost of services by £9,543k.</p> <p>There is no impact on the Council's overall financial position from this amendment.</p>
2 Misclassification	154	Note 25 – Debtors and Note 26 - Creditors	<p>This relates to deferred income incorrectly being netted off against debtors. In accordance with the Code of Practice deferred income should be included within creditors.</p> <p>The impact of this change is to increase the Other Entities and Individuals debtor and creditor figures by £154k</p> <p>This re-classification has no impact on the Council's overall financial position.</p>
3 Misclassification	408	Note 26 - Creditors	<p>The note has been amended to correct a misclassification of creditors between Other Local Authorities and Other Entities and Individuals.</p> <p>The impact of this change is to increase the Other Local Authorities by £408k and reduce Other Entities and Individuals by £408k.</p> <p>This re-classification has no impact on the Council's overall financial position.</p>
4 Disclosure	n/a	Note 23 Leases	<p>The leases note was removed from the 2015/16 draft statements in-line with the CIPFA 'telling the story' consultation and wider decluttering agenda, as previous years' disclosures had contained only immaterial amounts. However, during 2015/16 the Council extended a lease agreement with Rugby Town JFC for 125 years at approximately £10k per annum and due to the length of this lease the future minimum payments are material and require disclosure within the financial statements. Therefore the leases note has been reinstated into the final 2015/16 financial statements</p>

## Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
5 Disclosure	n/a	Note 43 - Events after the Balance Sheet Date	The note has been expanded to consider the potential impact on the Council of the United Kingdom leaving the European Union.
6 Disclosure	14	Note 7 – Officers Remuneration	The banding of one exit package in the termination table has been updated to reflect the total value of the exit package including PILON and payments for unused annual leave.

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non-audit services and independence

05. Communication of audit matters

## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

We carried out an initial risk assessment in February 2016 and identified the following significant risks, which we communicated to you in our Audit Plan dated March 2016.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work. We therefore carried out further work only in respect of the significant risks we identified from our initial risk assessment.

### **Significant qualitative aspects**

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- the Council's arrangements for medium term financial planning and identifying savings
- gaining an understanding of the partnerships that the Council are involved in and how they help the Council achieve its strategic priorities.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section.

### **Overall conclusion**

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>Medium Term Financial Planning</b> The Council faces an uphill task to balance its finances over the medium term. The gap between income and spending plans is estimated at £1.9m for 2018/19 and £2.1m for 2019/20.</p>	<p>We have assessed whether the Council is:</p> <ul style="list-style-type: none"> <li>• producing and using appropriate and reliable financial information to support informed decision making and performance management</li> <li>• producing reliable and timely financial reporting that supports the delivery of strategic priorities</li> <li>• planning its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</li> </ul>	<p>We found that the Council has:</p> <ul style="list-style-type: none"> <li>• an agreed, balanced financial plan for 2016/17</li> <li>• identified and taken account of funding cuts in its medium term financial plans including responding to consultations on changes to the New Home Bonus and 100% Business Rate Retention, both of which will have an impact on the Council.</li> <li>• taken into account the financial impact of demographic trends and other social pressures in its medium term financial plans</li> <li>• produced monitoring reports for members on a timely basis.</li> </ul> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</p>
<p><b>Partnership Arrangements</b> The Council has already developed a number of working partnerships such as the operation of Rainsbrook Crematorium with Daventry Borough Council . We need to understand how this and other partnerships help the Council to achieve its strategic priorities.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• gained an understanding of the Council's strategy for collaboration with partners and the overall ambition and limitations in this area.</li> <li>• gained an understanding of the governance arrangements in place for partnership working</li> <li>• examined specific examples of partnership working to understand how they are helping the Council achieve its strategic objectives.</li> </ul>	<p>We have reviewed the Council's partnership workings and the governance arrangements in place. We found that the Council's partnerships working are aligned to its strategic objectives.</p> <p>Examples of partnership working include:</p> <ul style="list-style-type: none"> <li>• Rugby is a partner in the Coventry &amp; Warwickshire Local Enterprise Partnership. This partnership involves both private and public sector organisations and aims to grow the local economy, increase prosperity and attract new jobs and investments into the area.</li> <li>• The Council is a member of the Warwickshire Direct Partnership (WDP) which is a shared service arrangement with Warwickshire County Council and Nuneaton and Bedworth Borough Council for the provision of customer services. Its objectives are to provide services to its citizens and customers in the most effective and efficient way.</li> <li>• The Council is also working with Daventry District and Warwick District councils to provide a building control shared service. This partnership maximises the use of resources to provide a shared professional and effective building control service that is economic and efficient and enhances the service provided to their respective communities.</li> </ul> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements.</p>

**Significant difficulties in undertaking our work**

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

**Significant matters discussed with management**

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

**Any other matters**

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

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## Section 4: Fees, non-audit services and independence

- 01. Executive summary
- 02. Audit findings
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- 04. Fees, non audit services and independence**
- 05. Communication of audit matters

## Fees, non audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

**Fees**

	Proposed fee £	Final fee £
Council audit	54,968	54,968
Grant certification	8,149	8,149
<b>Total audit fees (excluding VAT)</b>	<b>63,117</b>	<b>63,117</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

**Grant certification**

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

**Fees for other services**

Service	Fees £
<b>Audit related services</b>	<b>Nil</b>
<b>Non-audit services:</b>	
• Anti-fraud and corruption strategy review	<b>16,380</b>
• Housing rents review	

**Independence and ethics**

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

## Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

# Appendix A: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUGBY BOROUGH COUNCIL

We have audited the financial statements of Rugby Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Head of Corporate Resources and Chief Financial Officer and auditor

As explained more fully in the Statement of the Head of Corporate Resources and Chief Financial Officer's Responsibilities, the Head of Corporate Resources and Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Corporate Resources and Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

**Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

**Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

**Respective responsibilities of the Authority and auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

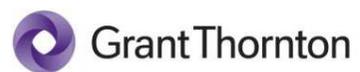
**Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

**John Gregory**  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

**The Colmore Building**  
20 Colmore Circus  
Birmingham  
B4 6AT

September 2016



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Grant Thornton UK LLP  
The Colmore Building  
20 Colmore Circus  
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B4 6AT

20 September 2016

Dear Sirs

Rugby Borough Council  
Financial Statements for the year ended 31 March 2016

This representation letter is provided in connection with the audit of the financial statements of Rugby Borough Council for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

**Chartered Accountants**

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- vii Except as disclosed in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the Council has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii The financial statements are free of material misstatements, including omissions.
- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

**Information Provided**

- xvi We have provided you with:
  - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b additional information that you have requested from us for the purpose of your audit; and
  - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvii We have communicated to you all deficiencies in internal control of which management is aware.
- xviii All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xix We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
  - a management;
  - b employees who have significant roles in internal control; or
  - c others where the fraud could have a material effect on the financial statements.
- xxi We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

- xxv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Statement**

- xxvi The disclosures within the Narrative Statement fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Audit and Ethics Committee at its meeting on 13 September 2016. It was discussed and agreed by the Authority at the meeting of Full Council on 20<sup>th</sup> September 2016. Yours faithfully

Name.....Adam Norburn.....

Position...Executive Director.....

Date.....20<sup>th</sup> September 2016.....

Name.....Mannie Ketley.....

Position...Head of Corporate Resources and Chief Financial Officer...

Date.....20<sup>th</sup> September 2016.....

Signed on behalf of the Council

**Special Council - 20th September 2016**

**Marketing Rugby Town Centre**

**Report of the Executive Director**

**1. Introduction and context**

1.1 In autumn 2015, residents and businesses were consulted on a new vision for Rugby town centre. Following this an action plan, for the period of 2016 – 2020, was developed in partnership with key stakeholders, approved by Cabinet in June 2016. This covers marketing, the visitor economy, the public realm, planning and investment. While these are each distinct areas of work, they are interlinked and should be considered together.

1.2 With specific reference to the marketing of Rugby town centre, previous approaches have arguably been somewhat disjointed, with various initiatives covering a number of different messages and target groups. It is important to understand how Rugby can adapt to both national issues facing town centres and increasing competition from out-of-town developments. The town centre action plan advocates an economy characterised by food and drink, leisure, convenience shopping and independent retail.

1.3 The World Rugby Hall of Fame announcement provides a huge opportunity, to a greater extent than previously, to enhance the town's visitor economy. It is vital that the new attraction is not viewed in isolation, but links to wider marketing work for the town centre, providing benefits for other visitor experiences and businesses in the borough. It is intended that the current annual events programme in the town centre will be strengthened and adapted through activities surrounding the Hall of Fame.

**2. Objectives**

2.1 A competitive tender process was delivered during March this year to engage an external agency to support with developing a town centre marketing plan, delivering the below objectives. Five submissions were received and assessed in terms of quality and value for money, with Cole Communications being appointed:

- Review the current brands being used to promote Rugby town centre, identifying their key characteristics, target groups, strengths and weaknesses.
- Establish a single marketing approach for the town centre, showing how existing brands can support this whilst, at the same time, avoiding duplication.
- Develop a marketing plan focusing on different socio-demographic groups in the borough, with two particularly distinct target markets being those in close proximity and residents living in affluent suburbs.
- Provide recommendations on how to better collect customer data and understand the characteristics of people using the town centre.

2.2 The overarching outcome of the work is to produce methods and a 'toolkit' for the council, alongside its partners, to deliver marketing activities. This will be applied in the development of a website, social media activity, email communications and printed publications. Methods to better promote the free town centre Wi-Fi network and benefit from the associated marketing opportunities are also being developed.

### **3. Engagement with businesses and stakeholders**

3.1 A number of businesses and stakeholders have been engaged by Cole Communications in the development of the new approach to marketing the town centre. This involved with meetings with representatives from Rugby First, Clock Towers Shopping Centre, Rugby FM, Rugby School, the Webb Ellis Museum and Rugby FM, alongside Council officers from relevant departments. A selection of businesses with specific interests, experiences and assets were also visited individually. The purpose of the process was not only to understand people's views and ideas, but to promote collective ownership of the new marketing approach amongst interest groups.

3.2 In addition to the above, the marketing agency has distributed a survey to more than 400 town centre businesses. This has not only helped to widen the consultation process, but provided valuable information and data to be used for promoting Rugby town centre.

3.3 It is essential that not only are the findings of the meetings and survey considered, but opportunities for on-going engagement with town centre marketing are promoted.

### **4. Analysis of existing marketing activity**

4.1 The review identified that most marketing and promotional activity is undertaken by individual stakeholders for specific purposes. The activity is not coordinated, leading to some crossover and many competing straplines and slogans such as Enjoy Rugby, Rugby First, Rugby Town Centre, Discover Rugby, and Love Rugby Town.

4.2 The review considered each of these in further detail, analysing their individual strengths and weaknesses. Some were found to be inward looking, others excluded key parts of the town centre offer, and others were confusing. With so many individual efforts to promote Rugby it is not surprising that some stakeholders had lost motivation, leading to out of date or poor quality content.

4.3 Examples of findings included:

"This publication is trying to be everything to everyone, but not really identifying with any particular audience."

"Overall, not sure who this document is aimed at."

"Does not exude confidence, for example: "we feel we need to", "we know that things haven't been brilliant"

“The title is confusing.”

“Good content and imagery... would make a better interactive mobile communication”

“A publication very much produced as a stand-alone document.”

“Not sure what purpose these are serving.”

“Not very inspiring.”

“Lacks content, doesn’t engage and falls short of presenting a positive user experience.”

4.4 While the review identified areas for improvement, it has to be recognised that each of the stakeholders has been promoting some aspects of the town centre, which will have had a positive impact. It should also be noted that the stakeholders are in many cases aware of these shortcomings, which in turn has led to this review.

## **5. Developing a brand proposal**

5.1 The review looked at the town centre’s key strengths and “personality”, identifying the following features that need to be considered in developing a brand proposal:

- Rugby is a historic town, with many architectural features that should be celebrated
- The town centre has been a meeting place for centuries, with a charter to hold a street market dating back to 1255.
- Rugby is known for literary giants, life changing inventions and a world class game that shares its name.

5.2 The review also acknowledged that Rugby town centre, while having a past, also has a present and a future, albeit with a different role and with different expectations. It identified a number of opportunities to challenge perceptions, generate footfall, promote customer service, challenge the habitual shopper and attract the aspirational shopper. While falling outside of the scope of this report, these did feed into the brand development and will also be explored further as part of the brand application.

5.3 The brand strategy has been developed in order to:

- Differentiate Rugby town centre in a competitive market place as a provider of choice
- Create authority and confidence in the delivery of messages about Rugby town centre
- To increase the value of individual Rugby town centre communication collateral (events, individual promotions etc)
- To reduce fragmentation and increase quality
- To be relevant and salient to the audience
- To move in step with the vision for Rugby town centre

- To address any negative perceptions
- To address the need for ongoing communications that have both focus and value.

5.4 The result will be consistency, coordination and clarity through an accessible, effective and coherent tone of voice.

## **6. A brand for Rugby town centre**

6.1 The detail of the brand proposal for Rugby town centre will be presented to councillors outside of the meeting, in a format allowing questions and answers.

6.2 The presentation will detail the proposed “positioning statement” and how it creates authority and ownership of the game and a status for Rugby town centre. It will also detail the proposed “motivating strapline”. This is both an instruction and a personal challenge to the individual, that whoever you are and whatever you’re looking for you can discover your own personal preferences in Rugby town centre.

6.3 The presentation will then outline the different constituent parts that make up the proposed brand for Rugby town centre, and how it could be applied to various promotional activities, including leaflets, booklets, events, and advertising.

6.4 The advertising concepts that will be shown include examples of how Rugby town centre can use its unique status as birthplace of the game to promote other features, individual shops and attractions, including the Hall of Fame.

## **7. Brand application and next steps**

7.1 Subject to approval, the brand proposal will be finalised and prepared for with key content relevant to visitors to the Hall of Fame. This will be extended for the important Christmas shopping period.

7.2 There are some other outstanding pieces of work. With stakeholders, we will:

- Adopt brand identity guidelines that maintain the value of the brand by ensuring the quality of promotional activity across all channels and by all participating stakeholders.
- Develop a single mobile friendly website to promote Rugby town centre businesses, attractions and offers.
- Develop a social media marketing strategy that complements the new brand positioning for Rugby town centre.
- Coordinate email marketing as an efficient and cost effective method of broadcasting relevant content.
- Define ways to collect customer data and analyse consumer behaviour of key target groups.

## **8. Recommendation**

The approach to marketing Rugby town centre as outlined in the report be approved.